Using incentives to improve quality of care

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Why are incentives needed?

- Quality improvement takes resources and commitment
- Sometimes saves, but savings don't always go to the entity that invested
- Improvement currently not rewarded
  - Patients and/or payers either unaware or do not use information on quality
  - Payment incentives often neutral or negative

Rationale for considering incentives in Medicare

- IOM included incentives in Medicare as part of national quality agenda
- Largest single purchaser
- MedPAC recommended use of rewards to recognize improvement and performance

How could incentives work?

For better performing providers, incentives could:

- Share savings
- Decrease cost of regulation
- Increase volume
- Increase payment

Design issues

- What do we want to encourage?
  - IOM framework focuses on safety, clinical effectiveness, patient perception, timeliness
    - High performance or improvement
    - Structure, processes, outcomes
- What information to use – how good are the measures?
- Who – physicians, hospitals, health systems?
- How – the most effective and simplest to implement?

Types of incentives

- Public disclosure
- Flexible regulation
- Payment differentials for providers
- Cost differentials for beneficiaries
- Shared savings
- Capitation/shared risk

Considerations for Medicare

- Feasibility in fee-for-service and managed care
- Achievable through regulation or legislation
- Unintended consequences
  - Risk-selection
  - Access issues
  - Crowding out of quality innovation
- Implementation issues
  - Budget neutrality – new money or not
  - Availability of skills for complex task
  - Locus of control